

The Navy provides you much more in compensation for your hard work than just what's shown on your Leave and Earnings Statement (LES).

This booklet is meant to help you understand the total value of your Navy compensation

# **Navy Pay & Retirement** **2002** A Complete Package

and benefits package. If you're interested in understanding the value of your retirement, or knowing how much you would have to make in a civilian job to equal your Navy pay, this booklet is for you.

# Your Military Compensation

**T**he military compensation system includes dozens of separate pays, allowances and benefits. The most visible and easily measurable of these earnings may be classified as direct compensation, which shows up as earnings on your **Leave and Earning Statement (LES)**. This includes several allowances that are tax-free, making them more valuable than they appear, as well as **30 days of paid vacation per year**. Indirect compensation includes **comprehensive medical and dental care, commissary and exchange savings, and tuition assistance**. Other valuable fringe benefits that are often **free, or available at discounted prices, include legal, educational and family services, life and disability insurance, tickets and tours, and quality childcare**.

## Direct Compensation

- ◆ Basic pay
- ◆ Special pays
- ◆ Incentive pays
- ◆ Re-enlistment bonuses
- ◆ Tax-free allowances
  - Subsistence allowance
  - Housing allowance
  - Clothing allowance
- ◆ Combat zone exclusions
- ◆ 30 days paid leave per year

## Indirect Compensation

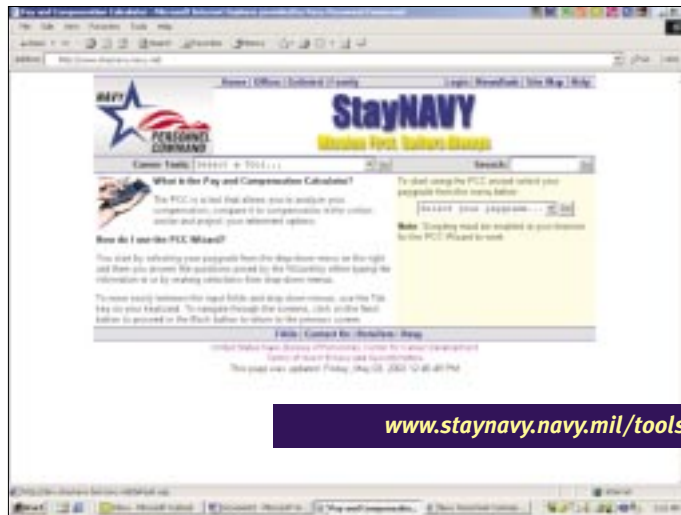
- ◆ Inexpensive life insurance
- ◆ Comprehensive medical & dental care
- ◆ Commissary & exchange savings
- ◆ Retirement value
- ◆ Tax advantage
- ◆ Tuition assistance
- ◆ Disability benefits
- ◆ Sick leave
- ◆ Death & survivor benefits

## Valuable Fringe Benefits

- ◆ Free basic legal services
- ◆ Generous retirement plan after 20 years
- ◆ Free disability insurance
- ◆ Educational services
- ◆ Family services
- ◆ "Space-A" travel
- ◆ Quality child care at reasonable rates
- ◆ Regular professional training & education
- ◆ Inexpensive MWR facilities & opportunities
  - Fitness centers
  - Golf courses
  - Movie theaters
  - Equipment rentals
  - Tours
  - Hobby shops
  - Flying & scuba clubs
  - Swimming pools
  - Tennis courts

**Y**ou don't have to be a financial planner or accountant to figure out how much money you could retire with after serving in the Navy, or how much you would have to make as a civilian to equal the direct and indirect compensation you receive for your service. Pushing pencils and calculator buttons, shuffling through tax tables and paperwork ... all this has been replaced by the **Pay and Compensation Calculator (PCC)** found on the **Center for Career Development (CCD)** Web site at:

[www.staynavy.navy.mil](http://www.staynavy.navy.mil).



# Calculating Your Compensation & Retirement

The PCC takes you through a few easy steps, asking for your rank, year of birth, when you entered the service, number of dependents and duty station zip code at time of retirement. This CCD Web service also accounts for any special pays and selective reenlistment bonuses.



[www.staynavy.navy.mil/tools/PCC/wizard/serviceinfo.asp](http://www.staynavy.navy.mil/tools/PCC/wizard/serviceinfo.asp)

## Navy Life... Getting Better Every Day

- ♦ **REDUX retirement plan repealed.** Now every service member can retire at 50% of base pay under either the **Final Pay** or **High-3** retirement plans. Both of these plans include full **cost of living allowance (COLA)** increases.
- ♦ Expanded **selective re-enlistment bonus (SRB)** eligibility and amounts.
- ♦ The new **Thrift Savings Plan** offers participants the same type of savings and tax benefits that many private corporations offer their employees under 401(k) plans.
- ♦ **Lifetime medical treatment and prescription drug coverage** is now guaranteed to military retirees under an overhauled **TRICARE** program.
- ♦ **Reduction of out-of-pocket housing costs** from 19% in 2000 to 11% in 2002, with a commitment to completely eliminate them by 2005.
- ♦ Commanding officers now have the authority to **cut one year from the advancement cycle for outstanding E-5s and E-6s.**
- ♦ **Revamped focus on career planning** through Project Sailor
- ♦ **The Navy's new Customer Service Center** will provide timely and accurate information to sailors and their families on a wide variety of subjects. **Call 1-866-U-ASK-NPC (827-5672).**
- ♦ **Eliminated a number of major inspections** to reduce sea time between deployments.

## Is the Grass Greener on the Other Side?

### Sailor

- ♦ Responsibility comes earlier
- ♦ Mission-oriented focus
- ♦ Attend schools while drawing full pay
- ♦ Camaraderie and esprit de corps
- ♦ Predictable promotion & advancement
- ♦ Job security
- ♦ Generous retirement plan

### Civilian

- ♦ Responsibility comes later
- ♦ Profit-driven focus
- ♦ Limited educational opportunities
- ♦ “Dog eat dog” mentality
- ♦ May have to request/negotiate promotions
- ♦ Could get “pink slipped” anytime

Most importantly, the PCC does the math for you, eliminating tax rate searches and hair-pulling headaches. The result is a comprehensive Pay and Compensation Calculation sheet, which breaks down your current pay and anticipated retirement pay. It also compares your figures to relative civilian job compensation. The easy to read and understand summary provides a printable reference to aid in your decision to stay Navy.

[www.staynavy.navy.mil/tools/PCC/wizard/summary.asp](http://www.staynavy.navy.mil/tools/PCC/wizard/summary.asp)

For a detailed explanation of compensation factors, see page 11.

## Did You Know?

- ♦ **66%** of Social Security beneficiaries over **65** derive at least half of their income from Social Security.
- ♦ Only **13%** of all 401(k) plans are valued at more than \$100,000.

## Myths About Civilian Life

**“Civilian medical care is better.”** — TRICARE is very similar to civilian HMO care plans except that the Navy does *not* deduct a co-share payment each month. In the military, most prescriptions are provided free, and there is a **\$1,000** per year catastrophic cap on medical costs not covered under TRICARE for your protection.

**“Affordable insurance is available everywhere, and my next job will offer a disability plan.”** — Up to **\$250,000** of level-term **Serviceman's Group Life Insurance (SGLI)** coverage is available to service members regardless of age, occupation or pre-existing health conditions. Military personnel are provided with long-term disability coverage at no charge while fewer than **55%** of full-time civilian employees are covered by even a short-term disability plan. Additionally, while Navy retirees enjoy available medical benefits, fewer than half of the largest civilian employers offer medical insurance to their retirees.

**“Most companies offer a pension, so I don't need the Navy retirement.”** — While approximately half of all full-time employees in medium to large companies participate in a pension plan, only **3%** of those employees may retire under age **55** with less than 30 years of service. The Navy fully funds a retirement plan that features no pay deductions for its members. Additionally, only **3%** of civilian retirement plans feature automatic COLA increases to protect retirees against inflation. **100%** of Navy retirees receive COLA increases.

**“Once I get out of the Navy and start a 401(k), I'll be set for my retirement years.”** — In fact, only **35.8%** of all full-time employees participate in tax-deferred savings plans, such as the 401(k), where you put money away for retirement and employers help with matching contributions. The Navy fully funds your retirement, with no reduction based on your age.

**“As a civilian, I won't have to stand watch, work late or move any more.”** — If you're willing to accept a relatively low-paying job with little responsibility, this is probably true. If, however, you are interested in better pay, more responsibility and regular promotion opportunities, you can expect to put in extra hours and to relocate from time to time. Salaried employees in supervisory positions routinely work more than 40 hours a week, are often tied to cell phones and beepers 24/7, and usually without any additional compensation. Additionally, few companies offer 30 days of paid vacation each year.

## Leisure & Recreation Benefits

	Sailor	Civilian
Fitness center or gym	Free or affordable	Expensive
Swimming pool	Free or affordable	Expensive
Golf	Affordable	Expensive
Movie/theme park/concert tickets	Deep discounts	Fewer discounts
Equipment rental	Affordable	Expensive

## Median Monthly Gross Earnings for Various Civilian Jobs

All White Collar	\$3707	All Blue Collar	\$2527
Engineers/Architect	\$4630	Precision Production	\$3083
Physician	\$6730	Electronic Repair	\$2946
Registered Nurse	\$4024	Heating/AC mechanic	\$2829
High School Teacher	\$3844	Electrician	\$3435
Social Worker	\$2442	Production Supervisor	\$3431
Clinical Technician	\$2832	Machinist	\$3520
Health Technician	\$2620	Welder and cutter	\$2959
Electronic Technician	\$3097	Assembler	\$2252
Computer Programmer	\$3579	Bus Driver	\$2461
Legal Assistant	\$3304	Material Moving Sup.	\$3701
Training Specialist	\$3524	Police and Detective	\$3243
Purchasing Agent/Buyer	\$4312	Correctional Officer	\$2633
Management Related	\$3714	Food Service Supervisor	\$2425
Wholesale Sales Rep.	\$3338	Health Aid	\$1797
General Office Supervisor	\$3207	Cleaning Service Sup.	\$2141
Distribution Supervisor	\$3342	Child Care Worker	\$1432
Computer Operator	\$2520	Automobile Mechanic	\$2884
Personnel Clerk	\$2439	Electrician Supervisor	\$4425
Insurance Adjuster	\$2586	Industrial Equip.Operator	\$2453
Secretary	\$2583	Construction Laborer	\$2153

Median earnings taken from the 1998 Bureau of Labor Statistics, National Compensation Survey assuming a 40-hour work week in the Washington DC/Baltimore area.



# Explanation of Compensation Factors & Retirement Calculations

## Compensation Factors

- ♦ **BAS (Basic Allowance for Subsistence)** — This calculation based on the “rations-in-kind not available” rate. Add to your income even if not paid directly to enlisted members, since the cost of dining aboard ship/station must be replaced in a civilian salary.
- ♦ **BAH (Basic Allowance for Housing)** — Tax-free allowance paid to cover 85% cost of living off base or ship if entitled. For single members living in ship or barracks the current BAH-II rate (not adjusted for locality) should be added since this amount must be replaced in a civilian salary. If you live on base, increase the current BAH rate by 15% since the government pays for 100% of the cost of housing. If your BAH rate is not known, approximate using BAH-II tables provided.
- ♦ **Clothing Allowance** — Enlisted members get a yearly clothing allowance on the anniversary of their initial allowance for uniform maintenance.
- ♦ **Tax Advantage** — Your pay has a tax advantage because all allowances you earn are tax free, as are any pay and bonuses while in a combat zone. Federal tax rates are 15, 28, 31 or 36%. FICA tax is made up of Social Security tax at 6.2% on the first \$80,400 and Medicare is a flat 1.45%. You may also add your state tax rate if known.
- ♦ **Active Duty Death & Survivor Benefits** — This amount represents the cost difference of comparable life insurance to provide the same security in case of death, such as \$250,000 of Servicemembers Group Life Insurance (SGLI) and the \$6,000 death gratuity. Dependency and Indemnity Compensation (DIC) provides \$911 per month for a surviving spouse, until remarried, and \$229 per month for each child, plus additional veterans benefits.
- ♦ **Medical/Dental Care** — This figure represents the average cost-share that white-collar workers must pay out of their paychecks for equivalent HMO-style coverage. The latest Bureau of Labor statistics show that 54% of employees don't have dental coverage through their employer.
- ♦ **Commissary Value** — A 1999 market survey of more than 500 items has shown that using the commissary saves a service member an average of 27% over other food markets. A yearly savings is computed based on multiplying this rate times USDA estimates for food cost for the number of dependants.
- ♦ **Disability (not included)** — Bureau of Labor statistics indicate that 57% of civilian employers do not even offer short-term disability. Replacement cost of similar coverage has not yet been calculated.

## Retirement Calculations

- ♦ **Monthly Basic Pay at retirement pay grade** — Make an assumption of your pay grade when you retire and look on the pay charts to determine what that pay grade makes at 20 years of service. For members entering service after July 31, 1986, the highest 36 months of pay may be averaged for the closest approximation.
- ♦ **Monthly Retirement/Retainer Pay** — Since the repeal of REDUX in FY2000, all members are eligible to retire with at least 50% of their Basic Pay. For every year of service after 20 add 2.5% of base pay.
- ♦ **Lump sum needed to pay equivalent amount for 40 years** — This figure is what a civilian would need to have saved to retire at the same time and with the same pay out for 40 years. Does not include the estimated \$2,642 per year medical expenses saved over Medicare beneficiaries.
- ♦ **Monthly contribution needed to save for 20 years to match that lump sum (or Retirement Value)** — The contribution required by a civilian to have a lump sum able to pay out the same amount as your retirement.



For more information visit us at [www.staynavy.navy.mil](http://www.staynavy.navy.mil)